

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7099

BILL NUMBER: SB 295

DATE PREPARED: Dec 31, 2001

BILL AMENDED:

SUBJECT: HMO Payments to Providers.

FISCAL ANALYST: Michael Molnar

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires health maintenance organizations (HMOs) to pay out-of-network providers (following referral) and emergency providers the lowest of: (1) the providers' billed charge (instead of the usual, customary, and reasonable charge for the HMO's service areas); (2) the Medicare participating provider allowable amount; or (3) an agreed amount.

Effective Date: July 1, 2002.

Explanation of State Expenditures: This bill may reduce the state expenditure for health insurance provided by an HMO. The bill is designed to reduce the fee paid to out-of-network providers for referrals and emergencies. There is currently no standard rate for these services. This bill uses the established Medicare fee schedule as the standard for reimbursement to out-of-network providers. In addition, this will hasten the claim response time by reducing the negotiations that currently occur over the amount of fee owed.

This bill also has a provision for referral services. The HMO may establish a preset fee for cases where an in-network provider refers an individual to an out-of-network provider. There is currently some negotiation of fees involved in these cases. A standard fee schedule for out-of-network referrals may reduce administrative costs for HMOs.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill may reduce the local expenditure for health insurance provided by an HMO. The bill is designed to reduce the fee paid to out-of-network providers for referrals and emergencies. There is currently no standard rate for these services. This bill uses the established Medicare fee schedule as the standard for reimbursement to out-of-network providers. In addition, this will hasten the claim response time by reducing the negotiations that currently occur over the amount of fee owed.

This bill also has a provision for referral services. The HMO may establish a preset fee for cases where an in-network provider refers an individual to an out-of-network provider. There is currently some negotiation of fees involved in these cases. A standard fee schedule for out-of-network referrals may reduce administrative costs for HMOs.

Explanation of Local Revenues:

State Agencies Affected: Agencies that utilize an HMO for health care coverage.

Local Agencies Affected: Agencies that utilize an HMO for health care coverage.

Information Sources: John V. Barnett Jr., J.D., (317) 231-6100.